



Senior Health Insurance
Information Program

Ask SHIIP

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Note: Ask SHIIP is taking a one-month break from its regular format to offer your readers an overview of the Medicare Prescription Drug Coverage in an extended format

What Medicare Prescription Drug Coverage Means to You: A Guide to Getting Started

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People with Medicare are getting ready for the biggest change to the Medicare Program in its 40-year history. Are you ready? This article provides some general information to help you start thinking about what these changes may mean to you.

Medicare Prescription Drug Coverage: The Basics

Private companies will offer Medicare Prescription Drug Plans starting January 1, 2006. Everyone with Medicare including those 65 and older, as well as, those under 65 with Medicare due to a disability, are eligible for this coverage regardless of income, resources, health status, or current prescription expenses. Here are some of the important points to be aware of:

- There is not just one Medicare Prescription Drug Plan. Private Companies are contracting with Medicare to offer these plans. There will be many plans to choose from. These plans function as prescription insurance that is subsidized by Medicare. This is similar to when an employer pays part of the cost of your health insurance.
- Since these plans function as insurance they have premiums, co-pays, and deductibles. Remember you will only be paying part of the cost with Medicare picking up the rest. If you have limited income and resources, extra help may be available to help you pay for your coverage. Read the “extra help” section to see if you qualify.
- Since there will be more than one plan to choose from, it will be important to choose the one that best meets your needs. Plans will be required to cover many different classes of drugs, but may not cover your specific medications. To help you decide between plans, beginning in October, Medicare will have a search tool on its website. Are you not on the Internet? Do not despair! You can call Medicare, SHIIP, or REAL Services for assistance. See the “finding help” section for phone numbers and web sites.

- Since joining a Medicare Prescription Drug Plan is voluntary, if you want coverage, you must choose and join a plan to receive the benefits. You can join as early as November 15, 2005 for coverage starting January 1, 2006.
- Just like other insurance, if you choose not to join when you are first eligible and later change your mind, you may have to pay a late enrollment penalty. If you already have prescription coverage that is as good as, or better than the Medicare Prescription Drug coverage there will be no penalties.

Extra Help for People with Limited Income and Resources

Almost 1 in 3 people with Medicare will qualify for extra help that will cover between 85% and almost 100% of the costs of their drugs. Most people who are eligible for this extra help will pay no premiums, no co-pays or deductibles, and no more than \$5 for each prescription.

The amount of extra help will be based on income and resources (including savings and stocks, but not counting your home or car.) You may qualify if your resources are less than 11,500 if you are single (or \$23, 000 if you are married and living with your spouse). In 2005 if your annual income is below \$14, 335 as a single person (or \$19,245 if you are married and living with your spouse) you may qualify.

What you need to do: If you think you may qualify, you should apply. Complete an application for the extra help as soon as possible. You may have already received an application for the extra help in the mail this summer from Social Security. If you need an application you can call 1-800-SSA-1213 or visit your local Social Security office. Other organizations such as your Area Agency on Aging and SHIP will also have them available.

If you qualify, you will also need to join a plan this fall for your coverage to start January 1, 2006. Getting extra help with paying for a Medicare Prescription Drug Plan is a two-step process: Step 1: apply for help and Step 2: sign up for a plan that best serves you. Remember: help is available with filling out the application and choosing a plan that best meets your needs.

Mark your calendar Important Dates for Medicare Prescription Drug Coverage

October 2005: Watch the mail for the Medicare & You handbook and for information from any current insurers. Look for community events explaining the new Medicare Prescription Drug Plans.

November 15, 2005: First day you can join a plan.

January 1, 2006: Coverage begins for those who join by December 31, 2005

May 15, 2006: Last day to join a plan and receive coverage for 2006. Last day to avoid any late enrollment penalties.

November 15, 2006 – December 31, 2006: Annual enrollment for Medicare Prescription Drug Plans with coverage starting January 1, 2007

Who am I? How will Medicare Prescription Drug Coverage affect Me?

Look at the five different statements and select the one that best describes you. Then read the text to learn what changes, if any, you can expect with this new coverage, and what decisions, if any, you will have to make. The decisions you make depend on what kind of health care coverage you have now.

“I have Original Medicare only, or Original Medicare and a Medigap (‘Supplement’) Policy without drug coverage.”

If you use an average amount of prescription drugs, Medicare’s new prescription drug coverage could pay over half of your drug costs next year. If you have very high drug costs, Medicare will pay up to 95% of these costs after you spend \$3,600 out-of-pocket in a year.

What you need to do: To get this drug coverage, you can join a Medicare Prescription Drug Plan. If you do not opt for prescription drug coverage by May 15, 2006, you will have to pay a late enrollment penalty to get drug coverage later.

“I have Original Medicare and a Medigap (‘Supplement’) Policy with drug coverage.”

Medicare Prescription Drug coverage will generally provide significant savings compared to what you are paying in co-payments for drugs under your Medigap plan, and will generally provide much better protection against high drug expenses as well.

What you need to do: Decide if you want to keep your Medigap policy with drug coverage or join a Medicare Prescription Drug Plan. Unlike Medigap prescription coverage, most of the cost of Medicare Drug coverage is paid by Medicare, and will never run out if you have high drug costs. Also, if you do not join a Medicare Prescription Drug Plan by May 15, 2006, you will have to pay a late enrollment penalty to get drug coverage later. If you opt for Medicare Prescription Drug Coverage, tell your insurer and the drug portion of your Medigap policy will be removed. You may also be able to choose from other Medigap policies. Look for a letter from your Medigap insurer this fall outlining your choices.

“I am a retiree and I have drug coverage through my (or my spouse’s) former employer or union.”

Medicare is providing financial incentives to encourage employers and unions to continue to provide retiree drug coverage that meets Medicare’s standards. Your former employer or union may, or may not, choose to participate. Some employers and unions may also choose to change, reduce, or drop their current prescription coverage.

What you need to do: Look for information coming from your former employer or union this fall. This information will explain what changes, if any, they will be making to your prescription drug coverage and what decisions you will have to make. If you do not hear from them, visit their website or call your benefits administrator.

“I have Medicare and Medicaid, and I get my drug coverage from Medicaid.”

Starting January 1, 2006, you will get your prescription drug coverage from Medicare instead of Medicaid. The prescription drug coverage from Medicare has no premiums, no deductibles, and no gaps, and you will pay very little or nothing for almost all prescriptions.

What you need to do: Starting in the fall, you will need to decide which Medicare plan offers the prescription drug coverage you would like. If you do not sign up for a plan, Medicare will sign you up for one to make sure you do not miss a day of coverage. You can switch to a different plan if you choose.

“I am interested in learning more about Medicare Advantage (Managed Care) Plans.”

Starting in January of 2006 everyone with Medicare will have the choice of at least two managed care plans. Private companies will contract with Medicare to provide all your medical services. Medicare Advantage Plans usually give you extra benefits and/or lower costs, but only if you use the doctors and hospitals that participate in the plan’s “network.” It is expected that many of these plans will also offer their participants Medicare Prescription Drug coverage.

What you need to do: Look for more information from Medicare and the Medicare Advantage Plans this fall. You will then be able to compare the plans to your current coverage and costs.

**What You can do Right Now to Make an Informed Decision about
Medicare Prescription Drug Coverage**

- Gather information about your current coverage for health care and prescription drugs. Make sure you know what coverage you have now.

- Gather information about the drugs you use, including their names and dosages.
- Remember the key Medicare dates.
- Apply for extra help if you think you might qualify.
- Watch for the Medicare & You handbook arriving in your mail in October. Read it carefully and ask questions about anything you do not understand.

Finding Help

Got a question? Need someone to walk you through it? Help is available!

Medicare: Medicare has operators available 24/7 to answer your questions at 1-800-MEDICARE. You can also visit their web site at www.medicare.gov.

SHIIP: Volunteers provide free and local personalized counseling. Call 1-800-452-4800 for the site nearest you.

Area Agency on Aging: They also can provide information. Call 1-800-986-3505.

Sources: Medicare publications # 11146 & 11105

October 2005: Look for Medicare & You 2006 booklet in the mail. Medicare announces companies approved to sell Medicare Prescription Drug Plans

SHIIP is a free, unbiased counseling program provided by the Indiana State Department of Insurance. For assistance, call your local SHIIP site to make an appointment or call the state office at 1-800-452-4800 to obtain a list of local SHIIP sites.

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